

Approved: 03/29/94
Date

MINUTES OF THE HOUSE COMMITTEE ON APPROPRIATIONS.

The meeting was called to order by Chairman Rochelle Chronister at 1:30 p.m. on March 21, 1994 in Room 514-S of the Capitol.

All members were present except: none

Committee staff present: Alan Conroy, Legislative Research Department
Debra Duncan, Legislative Research Department
Scott Rothe, Legislative Research Department
Diane Duffy, Legislative Research Department
Jim Wilson, Revisor of Statutes
Jerry Cole, Committee Secretary
Sharon Schwartz, Administrative Assistant

Conferees appearing before the committee:

David Scott, Department of Social and Rehabilitation Services, Director of Information Systems & Budget for Youth and Adult Services
Bill Mahler, University of Kansas Medical Center, Director of Telecommunication Services

Others attending: See attached list

The hearing on **SB 416** was opened. David Scott, SRS, testified in favor of the bill. He said the bill under consideration would allow the Youth Center at Topeka (YCAT) to sell a piece of property consisting of 29 acres and located approximately 2.5 miles from the YCAT campus. Scott told the committee the property contained a small two-bedroom house that needed repairs and the land to be sold was valued at approximately \$70,000. The property was currently under a farm lease and the agency was requesting to dispose of the land in the manner prescribed by the bill. The hearing was closed. Rep. Teagarden moved to pass and favorably recommend the bill. Rep. Heinemann seconded the motion and it carried.

Bill Mahler, KU Medical Center, testified in support of **SB 420** for its scheduled hearing. (See Attachment 1). The hearing was closed. Jim Wilson, Revisor of Statutes, requested some technical amendments to the bill. Rep. Dean made a motion to amend the bill as requested by the revisor and to pass it favorably. Rep. Heinemann seconded the motion and it carried.

Rep. Heinemann read the subcommittee report for the KPERS Omnibus Retirement Bill under consideration by the committee. Rep. Heinemann's subcommittee on KPERS had been referred individual bills dealing with KPERS throughout the session and was to bring a recommendation to the committee on each. (See Attachments 2 & 2a). The report included subcommittee recommendations for KPERS, the Kansas Police & Fire Retirement System, the Judges' Retirement System and the Kansas Board of Regents. At the conclusion of his report, Rep. Heinemann suggested the consideration of **HB 3065**, as an addendum to the report. Rep. Heinemann made a motion to adopt the subcommittee report. Rep. Dean seconded the motion. Rep. Heinemann withdrew his motion. Rep. Teagarden moved to amend the report by including the provisions contained in HB 3065 and adding to those provisions by including Mental Retardation Hospitals and the University of Kansas Medical Center direct care staff in the bill. Rep. Reinhardt seconded the motion and it carried. Rep. Heinemann moved to adopt the report as it had been amended and to recommend it favorably as a newly created bill. Rep. Dean seconded the motion and it carried.

Rep. Pottorff read the subcommittee report for the FY 94 Regents Systemwide subcommittee recommendations. (See Attachments 3 & 3a). She then made a motion to adopt the FY 94 report, seconded by Rep. Minor and carried. Rep. Pottorff read the subcommittee recommendations for FY 95 Regents Systemwide. Rep. Charlton made a motion to amend the report by adding \$2.3 million, as a line item, for the

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON APPROPRIATIONS, Room 514-S of the Capitol, at 1:30 p.m. on March 21, 1994.

Regents Supplemental Grant Program. Her motion was seconded by Rep. Gross, but failed on a vote of 7-14. Rep. Lowther moved to set aside \$1.6 million of the agencies \$24.6 million appropriations expressly for supplemental grant use. Rep. Gross seconded the motion and it failed. Rep. Gross made a motion to add a proviso to the bill containing the provisions listed below:

1. The inclusion of Washburn University into the Regents system by the year 2006
2. Funding for the "Partnership for Excellence" as provided by the Governor for 10 years including enrollment adjustments
3. Provide for the exclusion of Washburn from the system in the event the "Partnership for Excellence" is not funded
4. The KU and Washburn Law Schools to operate under one central administration
5. Washburn cease its mill levy by the year 2000 and be brought into full Regent status
6. System for Qualified Admissions be fully implemented by 2006

Rep. Gregory seconded the motion. Rep. Gross withdrew his motion. Rep. Reinhardt made a motion to change FY 95 recommendation #5 so the LEPC (Legislative Educational Planning Committee) appoint the interim committee and that the action plan referred to in the recommendation address governance and finance of postsecondary education. Rep. Dean seconded the motion. Rep. Heinemann made a substitute motion requiring the interim committee to contain non-legislative members. Rep. Pottorff seconded the motion. The motion carried. Rep. Pottorff made a motion to adopt the subcommittee report as amended. Rep. Teagarden seconded the motion and it carried with Rep. Hochhauser dissenting.

No further business appearing before the committee, the meeting was adjourned at 3:34 p.m. The next meeting is scheduled for March 22, 1994.

1994 Appropriation Committee Guest List

1	NAME	ORGANIZATION
2	Jack Hawn	KPER
3	Meredith Williams	KPER
4	Bob Hodges	Ks Telecom Assn
5	Mike Bohakoff	Budget
6	TED AYRES	REGENTS STAFF
7	Steve Jordan	Regents Staff
8	Craig Grant	HNEA
9	Don Hermes	BUDGET
10	Bail Covey	KRTA
11	Mike Resch	AT&T
12	Susan Peterson	Kansas State University
13	John J Federico	McGill + Assoc
14	Ron Pfinghoff	FHSU
15	Harry Stephens	ESU
16	R. Keith Myers	DoA
17	S. Mariani	DoA
18	Bob Wunsch	KUMC
19	Bill Hollenbach	PSC
20	Joe Peter	PSC
21	Larry Banum	KAPC
22	Ed Hemmelf	FHSU
23	ERIC SEXTON	Wichita State
24	Jon Josseland	KU
25	John Thompson	KSB
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Mon, Mar 21, 1994

UNIVERSITY OF KANSAS MEDICAL CENTER
TESTIMONY BEFORE THE HOUSE APPROPRIATIONS COMMITTEE
ON
SENATE BILL NO. 420
March 21, 1994

Thank you Madam Chairperson, I am Bill Mahler, representing the University of Kansas Medical Center. I have been associated with the university telemedicine program since its inception.

In response to requests from rural physicians and hospitals, a telemedicine pilot program was established in September 1991. Since implementation, approximately five-hundred patients have been "seen" using this technology. Subspecialty participation has included pediatric cardiology, endocrinology, neurology, rheumatology/allergy, surgery; adult neurology (Parkinson's Disease clinic and Alzheimer's Clinics), oncology (including tumor boards), orthopaedics and psychiatry (actual patient therapy). The system has also been used to support medical emergencies.

The tested and potential health care benefits are numerous. Senate Bill 420 will allow further expansion of the current network of community hospitals connected to the university thus increasing the availability of medical consultations and medical care throughout rural Kansas. The university will train rural community hospital personnel, oversee equipment installation, administer and coordinate the consultation service between community hospitals and the university. This telemedicine communications system would be administered by the University of Kansas with the assistance of an advisory committee. Extensive clinical experience has demonstrated the efficacy of the pilot program. The program will also assist in the recruitment and/or retention of rural physicians.

When Senate Bill 420 was initially introduced, the assumption was made to authorize, through State funding, a cost sharing program with rural community hospitals for the purchase of equipment necessary to implement this telemedicine program. The total cost associated with this program is dependent upon the number of community hospitals added each fiscal year. Whether new funding is authorized or not, we consider that Senate Bill 420 is still desirable.

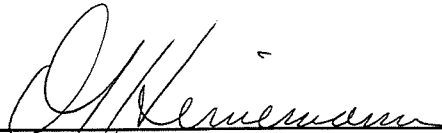
Most rural Kansans must travel great distances for specialty and in many instances primary health care. Using the telemedicine system, health care access has been enhanced by reducing the economic factors associated with lost time on the job, cost of travel and lodging, child care and special support required for the elderly. Patient acceptance and willingness to use the system justifies expansion of the program.

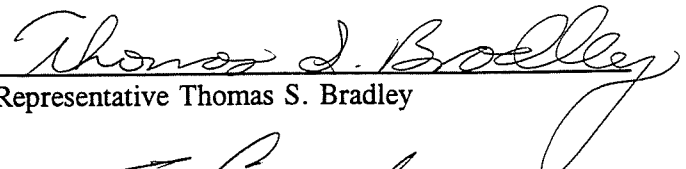
The University of Kansas Medical Center supports passage of Senate Bill 420. This concludes my written testimony.

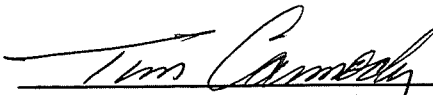
ATTACHMENT 1

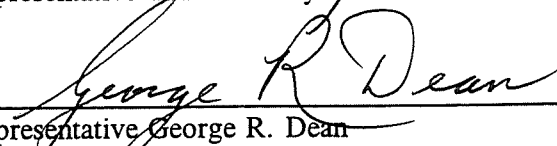
KPERS Omnibus Retirement Bill

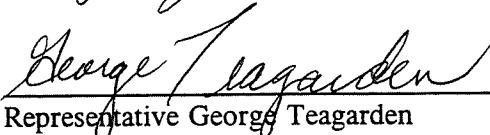
House Appropriations Subcommittee Report*


Representative David J. Heinemann
Subcommittee Chairperson


Representative Thomas S. Bradley


Representative Tim Carmody


Representative George R. Dean


Representative George Teagarden

* Note the legislative bills referenced in this document may have been only partially included in the Subcommittee's recommendations.

SUBCOMMITTEE REPORT

Agency: Retirement Issues

Bill No. 2842

Bill Sec. --

Analyst: Conroy/Efird

Analysis Pg. No. --

Budget Page No. --

The House Subcommittee on Retirement consisting of Representatives Heinemann, Bradley, Carmody, Dean, and Teagarden conducted meetings on the Kansas Public Employees Retirement System (KPERS) budget, specific retirement bills, and general retirement policy issues. Information was received from Mr. Meredith Williams, Executive Secretary of KPERS, and from various other interested parties concerning retirement issues. The Subcommittee held public hearings on all retirement bill assigned to it by the Chairman of the Appropriations Committee.

Based on the available information, the Subcommittee recommends the following changes and enhancements for retirants and active members of KPERS, Kansas Police and Fire (KP&F), and the Judge's Retirement System. The changes have a net annual actuarial cost to the state of \$2,597,837, of which approximately \$2.2 million will be from the State General Fund and will first be reflected in FY 1997. The bill would also require increased state contributions of \$139,437 in FY 1995, all from the State General Fund. The changes will also require an annual increase to the local units of government of \$828,800 in calendar year 1996. The Subcommittee recommends that all of the changes be placed into a new House bill to form an omnibus retirement bill.

KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM

1. KPERS -- Post-Retirement Benefit Increase. Effective July 1, 1994, for all members, retired prior to July 1, 1993 a post-retirement benefit increase of 1.5 percent in their retirement benefit. This increase would also be applicable to all KPERS special members, KPERS disability recipients as well as retirants of the local Kansas City, Kansas School Retirement System. The Subcommittee notes the substantial post-retirement benefit increase granted to KPERS retirees by the 1993 Legislature. The 1993 increase provided a 15 percent increase in monthly benefits (with a \$200 a month maximum) or a \$50 per month minimum increase, whichever was greater, for retirees with 15 or more years of service who retired prior to July 1, 1993; and a 5 percent or \$10 a month increase, whichever is greater, for retirees with less than 15 years of service who retired prior to July 1, 1993. Legally, there is no contractual right to any increase once the individual is retired. In the last decade, the KPERS retired members have received ad hoc increases on an almost annual basis. In fact, retired members have received increases greater than the increase in the Consumer Price Index. The increased cost for the post retirement benefit increase would be first reflected in FY 1997 for state/school employers and calendar year 1996 for local units of government.

<u>Coverage Group</u>	<u>Additional Employer Rate</u>	<u>Additional Employer Contribution</u>
KPERS State/School	0.08%	\$ 2,352,000
	0.06	350,000
KPERS Local		

2. KPERS -- Raise Earnings Limitation for Certain Retirants (H.B. 2857). Raise from \$10,560 to \$11,160 the calendar year earnings limitation applicable to retirants under KPERS who are subject to an earnings limitation. The increased amount is the same as the Social Security limit for 1994 for beneficiaries whose ages are 65 through 69. Currently, there is no earnings limitation for KPERS retirants who retired before July 1, 1988. For those who retired after June 30, 1988, there also is no limitation unless the retirant is employed by the same employer for whom he or she worked during the last two years of KPERS participation. In such cases, retirants may receive KPERS benefits until earnings equal \$10,560 in a calendar year, and at that point may elect to terminate employment and continue to receive benefits, or continue employment with benefits suspended, or revoke their retirement and again become a participating member of KPERS. Currently exempted from the earnings restriction are substitute teachers, elected officials, and officers, employees and appointees of the Legislature.

COST: No actuarial cost.

3. KPERS -- Extend Special KPERS-Correctional Class. Extend for one year (Until June 30, 1995) the special disability coverage for KPERS-Correctional. The current special disability KPERS-Correctional benefits are scheduled to expire on June 30, 1994. The Department of Corrections did propose several changes concerning the KPERS-Correctional class.

The Subcommittee notes that the special KPERS-Correctional class was established by the 1982 Legislature and the special disability provisions have been extended on an annual basis every year since 1982. The Subcommittee recommends that the Joint Committee on Pensions, Investments and Benefits and the KPERS Retirement Study Commission review and make recommendations to the 1995 Legislature concerning the future of the special KPERS-Correctional class. The Study should review the original premise for creation of the special class and the following options:

1. Should the members be moved into the Kansas Police and Fire Retirement System?
2. Should the special KPERS-Correctional class be made permanent with a complete review of the employee classifications in the various correctional groups and the requirements for belonging to the special class?
3. Should the members be moved back into regular KPERS?
4. Should other employee classes in similar agencies be considered for inclusion with the KPERS Correctional class (*e.g.*, Larned State Hospital)?

The Subcommittee notes that a similar recommendation was made during the 1993 Session and because of time constraints the Joint Committee and the Study Commission were not able to make a

recommendation. The Subcommittee recommends very strongly that the Joint Committee and the Study Commission should make this issue a priority item during the interim period and report back to the 1995 Legislature.

COST: None above the currently budgeted amount.

4. KPERS, Disability Payment Offset, Death Benefit Setoff, Withdrawal Rollovers, Employer Underpayments, and Affiliation Procedures (H.B. 3066). The Subcommittee recommends the following technical changes be made to the Retirement Act.

(a) Disability Payment Offset. Recommend that disability benefits shall accrue from the later of the 181st day of total disability or the first day upon which the member ceases to draw compensation from the employer. If the Social Security benefit, Worker's Compensation benefit, other income or wages, or other disability income benefit by reasons of employment, or any part thereof, is paid in a lump sum, the amount of the reduction shall be calculated on a monthly basis over the period of time for which the lump sum is given.

Current law provides that KPERS disability benefits are subject to an offset for amounts the member may receive from Social Security, one-half workers compensation, or a disability benefit from any source by reason of employment (emphasis added). From 1966 to 1991 members, receiving payments for accumulated sick leave after becoming eligible for disability benefits, had their benefits offset for such sick leave payments. The Attorney General has indicated that sick leave is compensation, not a disability benefit, and as such is not subject to an offset. He also opined that an employee could not receive a disability benefit and a payroll warrant at the same time.

COST: No actuarial cost.

(b) Death Benefit Offset. Recommend that any overpayment because of the nonreported death of a retirant be an offset obligation against the \$4,000 death benefit. Occasionally, a member's death goes unreported and benefit payments are continued after death. When a member has selected the maximum benefit amount (no survivor option), an overpayment may occur if the death of the retirant is not reported in a timely manner. The death benefit offset is current the practice of KPERS, but the Subcommittee recommends that the procedure be set in statute.

COST: No actuarial cost.

(c) Employer Underpayments. Recommend that any delinquencies owed the Retirement System may be offset against any other revenues of the agency. Occasionally, a participating employer will not remit the full amount due the Retirement System and will subsequently refuse to pay the balance. Current law allows KPERS to collect delinquent amounts by setting off against other revenues of the employer. However, this provision is only applicable when the delinquency relates to the employment of retired KPERS members.

COST: No actuarial cost.

(d) Withdrawal Rollovers. Recommend technical language to ensure that KPERS is in compliance with Internal Revenue Service guidelines concerning members who leave covered employment and wish to withdraw their contributions. Such withdrawals are subject to federal withholding unless the withdrawal amount is paid directly to the member's designated financial institution. In turn, the transferred sum is placed in an Investors Retirement Account or other tax-sheltered vehicle.

COST: No actuarial cost.

(e) Affiliation Procedure. Recommend the elimination of the publication requirement for those employers wishing to participate in the Optional Group Life Program. Participating employers may choose to participate in the KPERS Optional Group Term Life Insurance Program. Unlike other coverages administered by KPERS, the Optional Group Term Life Insurance Program has no financial implications for the participating employer; all costs are borne through payroll deductions by the employee who elects to purchase such coverage. Current affiliation procedures are applicable to all coverage options and require formal published notices of the participating employer's proposed action.

Cost: No actuarial cost.

5. KPERS Service Connected Death Benefit -- Reduction for Workers Compensation.

Clarify if the workers' compensation benefit is paid in a lump sum, the amount of the reduction shall be calculated on a monthly basis over the period of time for which workers' compensation would of been payable. For any recipient already in receipt of benefits on the effective date of this act there would be no change in the original reduction for workers' compensation benefits paid prior to this change.

Cost: No actuarial cost.

6. Veterans' Credit for Certain Military Service. Delete the prohibition that prevents members from purchasing active-duty and certain reserve-duty military service which is the basis for military pension rights. Currently, KPERS statutes deny the right to purchase service credit for military service which is the basis for a military pension. Members may purchase up to six years of military service credit as long as it is not also being used for a military pension. Current litigation in California indicates that the existing KPERS position would not be upheld if challenged in court. The Subcommittee also recommends that if a member does purchase military service credit which is the basis for a military pension that the individual pay the full actuarial cost basis and that it be paid in one lump sum.

Cost: No actuarial cost.

7. Qualified Domestic Relations Orders (QDROs) (H.B. 2993). Provide that KPERS members' benefits are subject to qualified domestic relations orders for property division. Currently, members' benefits are only subject to decrees for child support or maintenance, or both. In addition, the Subcommittee recommends several additional clarifying changes to the current version of H.B. 2993 before

it is amended into this KPERS omnibus KPERS bill. These clarifications include: (1) Make clear that KPERS itself cannot be made a party to a domestic relations case; (2) KPERS could accept orders which have been filed prior to July 1, 1994, not just those filed or amended after July 1, 1994; and (3) KPERS should be able to accept a QDRO from any jurisdiction (*i.e.*, out-of-state) not just a Kansas domestic relations court.

COST: No actuarial cost.

8. Unretiring; Spousal Consent; Court Reporters; Inflated Final Average Salary (H.B. 3067). The Subcommittee recommends the four following changes to KPERS:

(a) **Unretiring.** Prohibit KPERS members from unretiring and becoming participating members again. Currently, KPERS members who retire and return to work with the **same employer**, can unretire and become active contributing members again once they meet the current Social Security earnings limitation (\$10,560). With the passage of 1993 H.B. 2211 the benefit formula was significantly enhanced. Retirees could return to work and unretire and work a short period of time and then retire a second time at a greatly improved retirement benefit.

COST: No actuarial cost.

(b) **Spousal Consent.** Require the written consent of the spouse of a member who is retired, if the member's benefit selection would provide less than one-half of what the spouse would be entitled to after the death of the member. The spouse would have 90 days in which to consent and the member would receive benefits as though they had selected the joint and one-half survivor option. If no consent were given after 90 days, the member would be reverted back to their original benefit election and paid any retroactive benefits due for that 90-day period.

COST: No actuarial cost.

(c) **Court Reporters.** Provide that the current active members of the old Court Reporters System (who are currently special members of KPERS) could retire at a reduced benefit at age 55 with ten years of service, or have normal retirements at 85 points (a combination of age and years of service), at age 62 with ten years of service or age 65. Currently, court reporters can retire only upon attainment of age 65. The Subcommittee also recommends that benefits paid under the old Court Reporters System shall be subject to decrees for child support or maintenance and qualified domestic relations orders for property division. Currently such member's benefits are exempt from all such court orders.

COST: No actuarial cost.

(d) **Inflated Final Average Salary.** Provide that beginning with the first participating employers' quarter that begins on or after July 1, 1994 (August 18, 1994 for the State and July 1, 1994 for local employers) members who

purchase or repurchase service credit would only receive the additional service credit and the purchase would have no affect on their final average salary. This change would not impact individuals that are currently in the process of purchasing or repurchasing service credit.

The Subcommittee spent considerable time discussing the impact of the proceeding recommendation. The Subcommittee also notes that this particular item has received a great deal of attention and concern from KPERS-State members. The merger of the old Kansas School Retirement System (KSRS) with KPERS in 1971 marked the first time members were allowed to purchase or repurchase service credit. Originally, members could only purchase by means of a lump-sum payment, but this was later changed to a double deduction method in 1977 and later to a triple deduction in 1988. When KPERS first allowed double deductions, an administrative decision was made that not only did the member receive additional service credit for the time being purchased, but they were to also receive additional quarters of compensation at their salary level during the period of purchase. This has the effect of escalating a member's final average salary to more closely mirror their current salary. This situation balloons when a member is paid for accumulated sick and annual leave immediately prior to retirement as they are completing a buy back. This has the effect of doubling or tripling the last quarter of compensation.

In 1993, close to 450 members retired in the same year they were buying service credit, which had the impact of inflating their final average salary from 3 to 17 percent. The KPERS actuary has indicated that this has increased the pension liability by over \$6.8 million for just that year and it will be compounded in future years. The Subcommittee would point out that the KPERS actuary is not aware of any other retirement system that credits compensation for members who are purchasing service credit. Attached to this Subcommittee report are several examples, prepared by KPERS, that indicate the effect that this practice is having on the monthly benefits of individuals that are aware of this loophole. The largest example on the attached sheet indicates that a school member was able to manipulate their final average salary to increase their monthly KPERS benefit by \$552.97 or 17 percent.

COST: None currently, however if the proposed change is not made, there would be an actuarial cost.

9. KPERS Board of Trustees -- Salary Determination for Attorney in Unclassified Service (S.B. 453). Recommend that the KPERS Board of Trustees be permitted to set the salary of the KPERS Attorney. Currently, the salary is established by the Governor, while all other unclassified positions within the agency have their salary set by the Board of Trustees.

COST: No actuarial cost.

10. KPERS School Employee Representative Membership. Allow KPERS School members who are elected or appointed to a full-time position as an employee representative the option to retain membership in KPERS if they continue to make the employee contributions. Payments would be based on their last covered salary and payments would be made monthly to KPERS. If the employee elects to continue to participate, their employer must carry-out the necessary administrative actions to allow the individual to continue membership in KPERS.

COST: No actuarial cost.

11. Review of Legislative Session Only Employees Retirement Plan. The Subcommittee does note with concern that the legislative session only retirement plan is an unfunded pension plan, which is in effect a pay-as-you-go system. The Subcommittee recommends the Director of Legislative Administrative Services and KPERS explore other retirement benefit alternatives and report to the 1995 Legislature. One option recommended for consideration would be a private annuity plan which would not have the pitfalls of the current unfunded program. The Subcommittee recommends that any changes to the current system safeguard the interest and expectations of the current members of the legislative session only retirement plan.

COST: No actuarial cost.

12. Confidentiality of Employers' Contributions. The Subcommittee recommends that the records of employers for contributions made on behalf of employees for social security, worker's compensation, FICA, unemployment insurance, and retirement be made confidential. The employer make public the lump sum amounts paid for any group, division or section of an agency, but not individual employees. Currently, individual KPERS records including retirement contributions made by an individual are confidential.

COST: No actuarial cost.

KANSAS POLICE AND FIRE (KP&F) RETIREMENT SYSTEM

1. KP&F -- Post-Retirement Benefit Increase. Effective July 1, 1994, for all members, retired prior to July 1, 1993 a post-retirement benefit increase of 1.5 percent in their retirement benefit. The Subcommittee notes the substantial post-retirement benefit increase granted to KP&F retirees by the 1993 Legislature. The 1993 increase provided a 15 percent increase in monthly benefits (with a \$200 a month maximum) or a \$50 per month minimum increase, whichever was greater, for retirees with 15 or more years of service who retired prior to July 1, 1993; and a 5 percent or \$10 a month increase, whichever is greater, for retirees with less than 15 years of service who retired prior to July 1, 1993. Legally, there is no contractual right to any increase once the individual is retired. In the last decade, the KP&F retired members have received ad hoc increases on an almost annual basis. In fact, KP&F retired members have received increases greater than the increase in the Consumer Price Index. The increased cost for the post retirement benefit increase would be first reflected in FY 1997 for the state and calendar year 1996 for local units of government.

<u>Coverage Group</u>	<u>Additional Employer Rate</u>	<u>Additional Employer Contribution</u>
KP&F State	0.28%	\$ 68,320
KP&F Local	0.28	478,800

2. Elimination of Age 60 Service-Credit Cutoff for KP&F Personnel. Recommend that repeal of the age 60 service-credit cutoff provision and amend the contribution adjustment provision to provide that the employee's contribution rate remains at 7 percent and will be lowered to 2 percent only for those KP&F members who have reached the maximum allowable credit of 35 years. Current law provides that no service credit is allowed for time worked by KP&F members after they reach age 60 (unless the credit is needed to fulfill the 20 years required for eligibility to retire). At the same time, KP&F members who work beyond age 60 after achieving 20 years of service are subject to lower contribution rates (2 percent as opposed to 7 percent). KPERS has recently learned that a preliminary report of the U.S. Equal Opportunity Commission will cite KP&F's age 60 cutoff as being in violation of the federal Age Discrimination in Employment Act.

COST: No actuarial cost.

3. Veterans' Credit for Certain Military Service (H.B. 2928). Delete the prohibition that prevents members from purchasing active-duty and certain reserve-duty military service. Currently, KP&F statutes deny the right to purchase service credit for military service. The Subcommittee recommends that members may purchase up to six years of military service credit as long as it is purchased in a lump-sum payment which represents the full actuarially determined cost.

COST: No actuarial cost.

4. Election for Active Members of Local Police and Fire Pension Plans to Join KP&F System (H.B. 2927). Provide a six-month window of opportunity (July 1, 1994 to December 31, 1994) for each active member of a local police and fire pension plan that has previously affiliated with KP&F. Cities of the first and second class had their own police and fire pension plans prior to the establishment of KP&F in 1967. Most of these cities have elected to participate in KP&F and members of the local plans were given an election to participate in KP&F or stay under the local provisions. Today there are 140 special members who remain under these local provisions which for the most part provide 50 percent benefit after 22 years of service. The Subcommittee recommends that those special members who elect KP&F coverage, the years in which they contributed at the lower employee contribution rate under the local plan must be accounted for by either a single lump-sum payment or an actuarially reduced benefit at the time of retirement. In addition, the Subcommittee recommends for those individuals that elect to remain under the provisions of a local plan that the maximum benefit be increased from 50 percent to 55 percent for those individuals who retire on and after July 1, 1994.

COST: No actuarial cost.

5. Death Benefit Setoff, Withdrawal Rollovers (H.B. 3066).

(a) Death Benefit Offset. Recommend that any overpayment because of the nonreported death of a retirant be an offset obligation against the \$4,000 death benefit. Occasionally, a member's death goes unreported and benefit payments are continued after death. When a member has selected the maximum benefit amount (no survivor option), an overpayment may occur if the death of the retirant is not reported in a timely manner. The death benefit offset is current the practice of KPERS, but the Subcommittee recommends that the procedure be set in statute.

COST: No actuarial cost.

(b) Withdrawal Rollovers. Recommend technical language to ensure that KPERS is in compliance with Internal Revenue Service guidelines concerning members who leave covered employment and wish to withdraw their contributions. Such withdrawals are subject to federal withholding unless the withdrawal amount is paid directly to the member's designated financial institution. In turn, the transferred sum is placed in an Investors Retirement Account or other tax-sheltered vehicle.

COST: No actuarial cost.

6. Unretiring, Spousal Consent, Inflated Final Average Salary (H.B. 3067).

(a) Unretiring. Prohibit KP&F members from unretiring and becoming participating members again. In addition, change the post-retirement earnings restriction to dollar limitation (\$11,160) which is the same as the Social Security limit for 1994 for beneficiaries whose ages are 65 through 69. Currently, KP&F members who retire and return to work with the **same employer**, can unretire and become active contributing members again once they work 30 days in any calendar year. With the passage of 1993 H.B. 2211 the benefit formula was significantly enhanced. Retirees could return to work and unretire and work a short period of time and then retire a second time at a greatly improved retirement benefit.

COST: No actuarial cost.

(b) Spousal Consent. Require the written consent of the spouse of a member who is retired, if the member's benefit selection would provide less than one-half of what the spouse would be entitled to after the death of the member. The spouse would have 90 days in which to consent and the member would receive benefits as though they had selected the joint and one-half survivor option. If no consent were given after 90 days, the member would be reverted back to their original benefit election and paid any retroactive benefits due for that 90-day period.

COST: No actuarial cost.

(c) Inflated Final Average Salary. Provide that beginning with the first participating employers' quarter that begins on or after July 1, 1994 (August 18, 1994 for the State and July 1, 1994 for local employers) members who purchase or repurchase service credit would only receive the additional service credit and the purchase would have no affect on their final average salary. This change would have not impact individuals that are currently in the process of purchasing or repurchasing service credit.

JUDGES' RETIREMENT SYSTEM

1. Judges' Retirement System -- Post-Retirement Benefit Increase. Effective July 1, 1994, for all members, retired prior to July 1, 1993 a post-retirement benefit increase of 1.5 percent in their retirement benefit. The Subcommittee notes the substantial post-retirement benefit increase granted to Judges' Retirement System retirees by the 1993 Legislature. The 1993 increase provided a 15 percent increase in monthly benefits (with a \$200 a month maximum) or a \$50 per month minimum increase, whichever was greater, for retirees with 15 or more years of service who retired prior to July 1, 1993; and a 5 percent or \$10 a month increase, whichever is greater, for retirees with less than 15 years of service who retired prior to July 1, 1993. Legally, there is no contractual right to any increase once the individual is retired. In the last decade, the Judges' Retirement System retired members have received ad hoc increases on an almost annual basis. In fact, retired members have received increases greater than the increase in the Consumer Price Index. The increased cost for the post retirement benefit increase would be first reflected in FY 1997 for the state.

<u>Coverage Group</u>	<u>Additional Employer Rate</u>	<u>Additional Employer Contribution</u>
State	.22%	\$ 38,080

2. Spousal Consent (H.B. 3067). Require the written consent of the spouse of a member who is retired, if the member's benefit selection would provide less than one-half of what the spouse would be entitled to after the death of the member. The spouse would have 90 days in which to consent and the member would receive benefits as though they had selected the joint and one-half survivor option. If no consent were given after 90 days, the member would be reverted back to their original benefit election and paid any retroactive benefits due for that 90-day period.

COST: No actuarial cost.

3. Death Benefit Setoff; Withdrawal Rollovers (H.B. 3066).

(a) Death Benefit Offset. Recommend that any overpayment because of the nonreported death of a retirant be an offset obligation against the \$4,000 death benefit. Occasionally, a member's death goes unreported and benefit payments are continued after death. When a member has selected the maximum benefit amount (no survivor option), an overpayment may occur if the death of the retirant is not reported in a timely manner. The death benefit offset is current the practice of KPERS, but the Subcommittee recommends that the procedure be set in statute.

COST: No actuarial cost.

(b) Withdrawal Rollovers. Recommend technical language to ensure that KPERS is in compliance with Internal Revenue Service guidelines concerning members who leave covered employment and wish to withdraw their contributions. Such withdrawals are subject to federal withholding unless the withdrawal amount is paid directly to the member's designated financial institution. In turn, the transferred sum is placed in an Investors Retirement Account or other tax-sheltered vehicle.

COST: No actuarial cost.

4. Purchase of Additional Benefits by Certain Judges (H.B. 2926). Recommend that on and after July 1, 1994, a judge, who first became a member of the Judges System after attaining age 60, could purchase service credit by making a lump-sum payment equal to the present value of benefits being purchased. The members' credited service and purchased service could not exceed 15 years.

COST: No actuarial cost.

5. Qualified Domestic Relations Orders (QDROs). Provide that benefits of members of the Judge's Retirement System shall be subject to decrees for child support or maintenance and qualified domestic relations orders for property division. Currently, such member's benefits are exempt from all such court orders.

COST: No actuarial cost.

REGENTS

1. Regents Institutions Phased-Retirement Programs (H.B. 2982). The Subcommittee recommends the establishment of the Phased-Retirement Program for Regents institutions and elimination of the current Reduced Service Program. The Phased-Retirement Program would permit Regents institutions to provide full-time health insurance benefits and retirement contributions to certain unclassified employees who agree to accept a reduced appointment of at least one-quarter time. The unclassified employees would have to meet the Board of Regents' criteria for minimum age and service requirements. Unclassified health care workers would not be eligible to participate. The Current Reduced Service Program extends this benefit only to faculty members between the ages of 60 and 65. Under the Phased-Retirement Program the minimum age for participation would be lowered to age 55.

2. County Extension Agents to Receive Retirement Annuities Purchased by the Board of Regents (H. B. 2853). The Subcommittee recommends that county extension agents employed by Kansas State University would be eligible for assistance by the Board of Regents and covered under TIAA/CREF for retirement purposes. Presently, these extension agents are covered under KPERS. Members contribute 4.0 percent of their compensation under KPERS and in FY 1995 the state's contribution rate is 3.2 percent. Under TIAA/CREF, the member contributes 5.5 percent and the state 8.5 percent. KPERS has been advised there are 97 individuals who would be affected by this change in retirement systems.

COST: FY 1995 cost is \$139,437 (State General Fund).

SAMPLE SERVICE/SALARY PURCHASES

ATTACHMENT 2a

Employer	Type	Retirement Date	Annual Salary Rate	Final Average Salary with Salary Purchase	Final Average Salary without Salary Purchase	Benefit With Salary Purchase	Benefit Without Salary Purchase	Difference	Percentage Increase
State	DOUBLE	9/1/93	\$29,544.00	\$41,180.13	\$37,909.25	\$2,076.16	\$1,911.25	\$164.91	9%
State	DOUBLE	12/1/93	35,051.00	40,385.25	36,734.63	1,623.82	1,361.84	261.98	19%
State	TRIPLE	9/1/93	33,540.00	37,386.63	33,676.50	1,581.15	1,435.33	145.82	10%
State	TRIPLE	9/1/93	28,144.00	31,639.63	27,308.13	1,015.10	876.13	138.97	16%
State	DOUBLE	12/1/93	30,473.00	35,619.75	33,126.06	1,662.27	1,545.89	116.38	8%
State	DOUBLE	9/1/93	34,346.00	40,865.88	37,456.44	2,256.13	2,067.91	188.22	9%
Local	DOUBLE	7/1/93		32,300.75	29,143.50	1,271.84	1,147.52	124.32	11%
Local	TRIPLE	7/1/93	39,296.00	42,731.50	38,362.44	1,246.33	1,118.90	127.43	11%
Local	DOUBLE	7/1/93		36,339.50	33,228.56	1,695.84	1,550.67	145.17	9%
Local	DOUBLE	7/1/93		41,277.31	39,871.32	1,745.68	1,686.23	59.45	4%
Local	TRIPLE	7/1/93		39,553.58	37,247.08	1,788.16	1,683.87	104.29	6%
Local	TRIPLE	1/1/94	28,679.11	30,658.69	28,338.44	983.64	909.19	74.45	8%
School	DOUBLE	7/1/93	40,673.65	40,320.17	39,129.42	1,705.20	1,654.84	50.36	3%
School	DOUBLE	8/1/93	38,374.04	37,223.50	35,636.92	1,636.28	1,566.55	69.73	4%
School	TRIPLE	7/1/93	42,223.75	40,747.50	38,488.25	1,578.96	1,491.41	87.55	6%
School	DOUBLE	9/1/93	38,531.92	39,182.33	37,252.17	1,714.22	1,629.78	84.44	5%
School	TRIPLE	8/1/93	70,406.86	78,900.25	67,700.33	3,895.69	3,342.72	552.97	17%
School	TRIPLE	9/1/93	38,587.88	41,516.68	38,356.67	1,885.55	1,742.03	143.52	8%

KPERC

ATT 2-19

Expenditure	Agency Est. FY 94	Governor's Rec. FY 94	Senate Adj. FY 94
Operating Expenditures:			
State General Fund	\$ 411,969,414	\$ 413,517,699*	\$ --
General Fees Fund	153,954,615	152,348,761	153,290
Hospital Revenue Fund	122,198,272	122,152,300	--
Federal Land Grant Funds	7,485,230	7,485,230	--
Other Funds	4,200,106	4,200,106	--
Subtotal General Use	\$ 699,807,637	\$ 699,704,096	\$ 153,290
Restricted Use Funds	340,634,370	340,633,219	--
TOTAL -- Operating Expenditures	\$ 1,040,442,007	\$ 1,040,337,315	\$ 153,290
FTE Positions:			
Classified	7,980.0	7,962.3	--
Unclassified	<u>9,718.0</u>	<u>9,709.2</u>	--
TOTAL	<u>17,698.0</u>	<u>17,671.5</u>	--

* Reflects correction to the Governor's Budget Report.

Agency Estimate/Governor's Recommendation

The Regents request a systemwide operating budget of \$1.0 billion, of which \$699.8 million are general use expenditures. The general use revised request submitted by the Regents reflects a 5.2 percent increase over actual FY 1993 general use expenditures, including a 2.4 percent increase in the State General Fund. For FY 1994, the Governor recommends total general use expenditures only slightly less (\$62,016) than the Regents estimated.

Senate Recommendation

The Senate concurs with the Governor's recommendations, with the following adjustments:

1. Fee Release -- Increased Expenditures

As a result of higher than expected student headcount enrollment for the fall semester of 1993, tuition receipts credited to the General Fees Funds at Emporia, Fort Hays and Pittsburg state universities were greater than the expenditure limitations set on those funds by the 1993 Legislature. Since FY 1987 the Legislature has released 75 percent of the additional unanticipated general fees to the institutions to meet expenses associated with additional students. The fee release is a one-time expenditure and is not built into the base budget of the institutions. For the current year the Regents requested the

authority to expend 100 percent of these increased receipts by increasing the expenditure limitations on the General Fees Funds by \$95,718 at Emporia, \$112,896 at Fort Hays, and \$97,966 at Pittsburg. The Governor does not recommend the release of fees.

For FY 1994 the Senate recommends the release of 50 percent of the fees, including \$47,859 at Emporia, \$56,448 at Fort Hays, and \$48,983 at Pittsburg. Following a review of the revised enrollment adjustment formula for FY 1995 which reduces from two years to one year the time lag between the occurrence of the enrollment change and the receipt of additional funding, the Senate believes the justification for the fee release may no longer be valid. Given the change in the enrollment adjustment, the Senate does not intend to approve fee releases following FY 1994.

Expenditure	Senate Adj. FY 94	Senate Rec. FY 94	House Systemwide Subcommittee Adj. FY 94
Operating Expenditures:			
State General Fund	\$ --	\$ 413,517,699	\$ --
General Fees Fund	153,290	152,502,051	--
Hospital Revenue Fund	--	122,152,300	--
Federal Land Grant Funds	--	7,485,230	--
Other Funds	--	4,200,106	--
Subtotal General Use	\$ 153,290	\$ 699,857,386	\$ --
Restricted Use Funds	--	340,633,219	--
TOTAL -- Operating Expend.	\$ 153,290	\$ 1,040,490,605	\$ --
FTE Positions:			
Classified	--	7,962.3	--
Unclassified	--	<u>9,709.2</u>	--
TOTAL	--	<u>17,671.5</u>	--

House Systemwide Subcommittee Recommendations

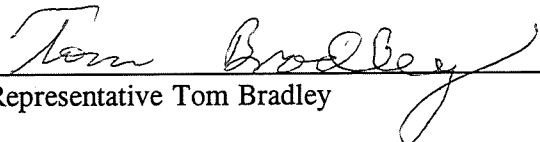
1. FY 1994 -- Fee Release. The House Subcommittee concurs with the Senate recommendation to provide for a 50 percent fee (tuition) release in FY 1994 and concurs with the Senate recommendation to discontinue the fee release funding policy in future years. In the Subcommittee's opinion, the fee release, as a mechanism to recognize changes in enrollment, makes no sense. The fee release is a funding mechanism which recognizes a current year increase in headcount enrollment by releasing increased tuition revenues resulting from the increased enrollment for a one-time expenditure increase. For the current year, the Regents requested authority to release 100 percent of the unanticipated tuition due to the increase in headcount at ESU (\$95,718), FHSU (\$112,896), and PSU (\$97,966). The Governor does not recommend the release of fees.

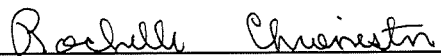
2. FY 1994 and FY 1995 -- General Fees Fund Estimates. The Legislature reviews the General Fees Fund (tuition) estimates of the institutions for the current year and the budget year based on Fall enrollment data and revisits the availability of tuition revenues to finance the operating budgets of the

institutions again when Spring enrollment data are available. To avoid shortfalls in university operating budgets, the Legislature has been relatively consistent in appropriating supplemental funding from the State General Fund when tuition collections have fallen below estimates. Conversely, tuition revenues in excess of the amount necessary to fund the approved budget are generally carried over to finance the FY 1995 budget. Based on preliminary information provided by the Board of Regents, it appears that combined FY 1994 and FY 1995 tuition revenues are estimated to be \$669,812 less than the previous estimates. As is customary, the Subcommittee anticipates a Governor's Budget Amendment to address adjustments in the budgets based on the Spring tuition estimates and defers action on this item until Omnibus.

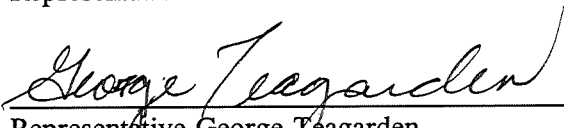
3. FY 1994 and FY 1995 Utility Adjustments. The House Subcommittee concurs with the current legislative practice to provide a separate line item appropriation to each university for utilities and to review utility expenditures during the current year to make any necessary adjustments to the approved budget as well as the utility budget for the budget year. Based on preliminary information provided by the Board of Regents, it appears that there is an estimated current year shortfall of \$2.3 million. Although circumstances vary among the institutions, the shortfall is largely attributed to two major factors: (1) an increase (18 percent systemwide) in natural gas rates; and (2) an increase in electric consumption, largely due to a summer with 37 percent more cooling days than the previous summer. The Subcommittee anticipates a Governor's Budget Amendment and defers this item to Omnibus. In addition, the Subcommittee notes that an additional month of utility expenditures will be available.


Representative Jo Ann Pottorff, Subcommittee Chair


Representative Tom Bradley


Representative Rochelle Chronister


Representative Melvin Minor


Representative George Teagarden

Expenditure	Agency Req. FY 95	Governor's Rec. FY 95*	Senate Adj. FY 95
Operating Expenditures:			
State General Fund	\$ 442,620,499	\$ 432,574,164	\$ (1,447,780)
General Fees Fund	165,629,943	167,036,039	3,357,219
Hospital Revenue Fund	123,215,355	122,714,626	--
Federal Land Grant Funds	7,531,508	7,531,508	--
Other Funds	3,167,106	1,673,000	271,035
Subtotal General Use	\$ 742,164,411	\$ 731,529,337	\$ 2,180,474
Restricted Use Funds	\$ 350,856,102	\$ 349,976,225	139,440
TOTAL -- Operating Expenditures	\$ 1,093,020,513	\$ 1,081,505,562	\$ 2,319,914
FTE Positions:			
Classified	8,091.7	8,054.5	(7.4)
Unclassified	<u>9,846.8</u>	<u>9,798.7</u>	<u>(13.5)</u>
TOTAL	<u>17,938.5</u>	<u>17,853.2</u>	<u>(20.9)</u>

* Reflects corrections to the Governor's budget document.

Agency Request/Governor's Recommendation

The Regents request a systemwide general use operating budget of \$742.2 million. The general use request reflects an increase of 6.1 percent (\$42.4 million) over the Regents' revised FY 1994 estimate. The financing of the request includes a 7.4 percent increase from the State General Fund (\$30.7 million) and a 7.6 percent increase in tuition funds (\$11.7 million). For FY 1995, the Governor recommends a systemwide general use operating budget totaling \$731.5 million, an increase of \$31.7 million over the Governor's FY 1994 recommendation. The increase is financed by increasing expenditures from the State General Fund by \$19.0 million (an increase of 4.6 percent) and tuition revenues by \$14.7 million (an increase of 9.6 percent).

Senate Recommendations

The Senate concurs with the Governor's recommendations, with the following adjustments:

1. FY 1995 Enrollment Adjustments

The Senate recommends \$1,190,761 from general use funds for enrollment adjustment increases at KSU-Salina (\$15,151), PSU (\$759,230), and FHSU (\$416,380), a reduction of \$160,266 from the amount requested and recommended by the Governor.

The Senate's recommendations for the enrollment adjustment are as follows:

<u>Institution</u>	<u>Request</u>	<u>FTE Positions</u>	<u>Senate Rec.</u>	<u>FTE Positions</u>
KSU-Salina	\$ 27,807	1.0	\$ 15,151	1.0
FHSU	486,698	12.0	416,380	0.0
PSU	<u>836,522</u>	<u>23.0</u>	<u>759,230</u>	<u>20.0</u>
TOTAL	<u>\$ 1,351,027</u>	<u>36.0</u>	<u>\$ 1,190,761</u>	<u>21.0</u>

2. Servicing New Buildings

The Senate recommends the following for servicing new buildings from general use funds:

Servicing New Buildings				
Institution	Request/ Gov. Rec. FY 1995	FTE Positions	Senate Rec. FY 1995	FTE Positions
KU				
Bioscience Building*	\$ 56,699	0.0	\$ 56,699	0.0
Hoch Library Addition*	44,460	0.0	0	0.0
J.R. Pierson Hall	204,493	4.8	165,701	2.8
Lied Ctr. Recital Hall*	7,000	0.0	7,000	0.0
Nelson Tract -- Bldg. #2	10,489	0.2	10,489	0.2
Subtotal	<u>\$ 323,141</u>	<u>5.0</u>	<u>\$ 239,889</u>	<u>3.0</u>
KUMC				
Biomedical Research Bldg.**	\$ 406,521	7.8	\$ 406,521	7.8
KSU				
Plant Sciences Building	\$ 782,698	15.1	\$ 782,698	15.1
Peters Rec. Center	181,856	2.4	91,920	0.0
Galichia Addition	11,572	0.2	11,572	0.2
Farrell Library*	81,600	0.0	40,808	0.0
Beach Art Museum*	24,000	0.0	24,000	0.0
Subtotal	<u>\$ 1,081,726</u>	<u>17.7</u>	<u>\$ 950,998</u>	<u>15.3</u>
WSU				
Elliot Communication Bldg.	\$ 81,613	3.1	\$ 81,613	3.1
ESU				
Chemical Storage Bldg.	\$ 4,527	0.1	\$ 4,527	0.1
Child Dev. Ctr. Addition	4,425	0.2	4,425	0.2
Subtotal	<u>\$ 8,952</u>	<u>0.3</u>	<u>\$ 8,952</u>	<u>0.3</u>
FHSU				
Physical Science Bldg.	\$ 163,616	8.1	\$ 163,616	8.1
TOTAL	<u><u>\$ 2,065,569</u></u>	<u><u>42.0</u></u>	<u><u>\$ 1,851,589</u></u>	<u><u>34.5</u></u>
* Construction utilities only requested				
** KUMC requested supplemental funding of \$155,159 (six months funding for utilities and three month salaries and OOE). The Governor does not recommend supplemental funding.				

3. "Partnership for Excellence" -- Faculty Salary Enhancement

Delete the \$1,746,071 that the Governor added to the faculty salary enhancement pool, above the \$9.3 million that the Regents requested. The Senate recommends that a decision on the additional \$1.8 million be deferred until later in the Session when state resources and needs will be more clearly defined.

The Senate notes that the Regents proposed "Partnership for Excellence" is a three-year plan. The Senate's support for the Regents request of the faculty salary enhancement for the first year of the plan is not a "promise" of support for years two and three of the plan.

Faculty Salary Enhancement							
Institution	Estimated Faculty Base	Senate Recommendation			Governor's Recommendation		
		Regents Request			Partnership		
		Allocation	Partnership Increase	Total Increase*	Allocation	Partnership Increase	Total Increase**
KU	\$ 54,815,728	\$ 3,151,000	5.7%	8.7%	\$ 3,740,977	6.8%	9.3%
KUMC-Education	38,894,035	433,560	1.1	4.1	514,738	1.3	3.8
KSU	41,797,131	1,656,000	4.0	7.0	1,966,061	4.7	7.2
KSU-ESARP	20,888,923	798,000	3.8	6.8	947,413	4.5	7.0
KSU-Salina	1,687,745	184,000	10.9	13.9	218,451	12.9	15.4
KSU-Vet.Med.	6,294,605	200,000	3.2	6.2	237,447	3.8	6.3
WSU	23,236,023	1,880,000	8.1	11.1	2,232,002	9.6	12.1
ESU	10,663,164	221,000	2.1	5.1	262,379	2.5	5.0
FHSU	10,264,626	411,000	4.0	7.0	487,954	4.8	7.3
PSU	13,058,370	391,000	3.0	6.0	464,209	3.6	6.1
TOTAL	<u>\$ 221,600,350</u>	<u>\$ 9,325,560</u>	4.2%	7.2%	<u>\$ 11,071,631</u>	5.0%	7.5%

* Includes 3.0 percent basic unclassified salary increase.
 ** Includes 2.5 percent basic unclassified salary increase.

4. Systemwide Regents Libraries Proposal

The Senate recommends \$775,900 from general use funds for a systemwide library enhancement. The Kansas Board of Regents had requested \$3.5 million (divided into four components) for the purpose of enhancing university libraries. The Governor did not recommend funding. In its review of the Regents proposal this past summer, the JCCT recommended total funding of \$1.8 million including system connectivity (\$775,900 -- first priority) and database acquisition (\$1,060,465). The Senate believes that it is important to get this project started and they direct the Regents, in consultation with the JCCT, to present a plan to the second house outlining how the \$775,900 would be expended on the various components of the plan as well as expenditures for future years.

5. Health Education Enhancements

The Senate recommends the following from general use funds for health care program enhancements:

HEALTH CARE PROGRAM ENHANCEMENTS

FY 1995

	<u>Request</u>	<u>Gov. Rec.</u>	<u>Senate Rec.</u>
University of Kansas Medical Center			
Viability of Primary Care Clinical Departments	\$ 1,200,000	\$ 300,000	\$ 600,000
Enhancing Recruitment of Medical Residents	1,594,755	400,000	510,000
Rural Educational Initiatives:			
Rural Family Practice Residencies	177,918	100,000	100,000
Expansion of Primary Care Nurse Pract. Prog.	276,257	130,000	130,000
Preventive Medicine and Public Health	364,864	364,864	30,405
Topeka Residency Program	0	175,000	162,600
Subtotal -- KUMC	<u>\$ 3,613,794</u>	<u>\$ 1,469,864</u>	<u>\$ 1,533,005</u>
University of Kansas -- Lawrence			
Faculty Positions in Department of Health Services Administration	\$ 40,000	\$ 0	\$ 0
Kansas State University -- Main Campus			
Rural Health Care Program Enhancement	\$ 100,000	\$ 0	\$ 0
Wichita State University			
Master of Public Health	\$ 133,601	\$ 133,601	\$ 0
Physician Assistant Program	283,585	150,000	0
Enhancement of Nursing Graduate Program	60,872	0	0
Subtotal -- WSU	<u>\$ 478,058</u>	<u>\$ 283,601</u>	<u>\$ 0</u>
Pittsburg State University			
Establish Nurse Practitioner Track	\$ 103,700	\$ 0	\$ 103,700
GRAND TOTAL	<u><u>\$ 4,335,552</u></u>	<u><u>\$ 1,753,465</u></u>	<u><u>\$ 1,636,705</u></u>

6. Enhancements to Specific University Programs

The Senate recommends the following from general use funds for specific university program enhancements:

**Specific University Program Enhancements
FY 1995**

<u>Institution</u>	<u>Request</u>	<u>Gov. Rec.</u>	<u>Senate Rec.</u>
KU			
Regents Center Enhancement	\$ 315,000	\$ 200,000	\$ 250,000
Law School Improvements ^a	150,000	150,000	150,000
Curriculum Improvements	136,800	0	0
Subtotal -- KU	<u>\$ 601,800</u>	<u>\$ 350,000</u>	<u>\$ 400,000</u>
KSU			
Curriculum Development	\$ 93,000	\$ 50,000	\$ 0
Improvements to Six Colleges	229,800	0	0
Subtotal -- KSU	<u>\$ 322,800</u>	<u>\$ 50,000</u>	<u>\$ 0</u>
KSU - ESARP			
Wheat Improvements	\$ 60,000	\$ --	\$ 0
Agricultural Land-Use Values	--	--	72,291 ^c
Subtotal -- KSU-ESARP	<u>\$ 60,000</u>	<u>\$ --</u>	<u>\$ 72,291</u>
KSU-Salina			
Salina -- Computer Equipment	\$ --	\$ --	\$ 85,000 ^b
KSU - Vet. Med.			
Computing	\$ 36,000	\$ 0	\$ 0
WSU			
Undergraduate Advising	\$ 162,000	\$ 65,000	\$ 65,000
ESU			
Teaching Enhancement Center	\$ 55,000	\$ 35,000	\$ 55,000
Counseling Accreditation	43,500	0	0
Subtotal -- ESU	<u>\$ 98,500</u>	<u>\$ 35,000</u>	<u>\$ 55,000</u>
FHSU			
Reduce Salary Shrinkage Rate	\$ 117,260	\$ 0	\$ 128,000
PSU			
Network Interconnectivity	<u>\$ 91,800</u>	<u>\$ 50,000</u>	<u>\$ 50,000</u>
TOTAL	<u>\$ 1,490,160</u>	<u>\$ 550,000</u>	<u>\$ 855,291</u>

a) Improvements are funded by a special law school fee.

b) Funded by State Budget Stabilization Fund.

c) Includes funding of \$21,500 from State Budget Stabilization Fund.

7. GTA Salaries and Tuition Payment

Create a separate State General Fund line-item at each institution for the amount appropriated for salaries and wages for Graduate Teaching Assistants (GTAs). Currently this amount is included in the existing Operating Expenditure line-item account of the State General Fund at each institution. Also increase expenditures from the General Fees Fund at each institution to provide for payment of tuition for GTAs and indicate in a proviso the amount of expenditures for this purpose. Currently, tuition for GTAs is waived by the institutions which results in a reduction in the revenues available to finance institutional operating budget expenditures.

Graduate Teaching Assistants -- Salaries and Tuition Waivers			
Regents Institution	FY 1995 GTA Salaries*	FY 1995 GTA Tuition Waivers**	FY 1995 Total
KU	\$ 7,265,890	\$ 1,436,927	\$ 8,702,817
KUMC	0	82,603	82,603
KSU	2,874,500	811,104	3,685,604
WSU	1,157,128	391,500	1,548,628
ESU	491,485	306,692	798,177
FHSU	285,697	82,534	368,231
PSU	290,782	225,000	515,782
TOTAL	<u>\$ 12,365,482</u>	<u>\$ 3,336,360</u>	<u>\$ 15,701,842</u>
* Reflects the amounts recommended by the Governor including a 2.5 percent salary increase. The Senate Subcommittee concurs.			
** Reflects the current policy of a 100 percent GTA tuition waiver.			

8. Other Items Addressed by Subcommittees Assigned to Individual Institutions

A. KUMC -- Medical Student Loan Program. Increase expenditures for six additional new loans above the 30 recommended by the Governor for a total of 36 new loans. Decrease expenditures from the Medical Student Loan Repayment Fund for operating expenditures in the education program by \$500,000 and increase expenditures from the State General Fund in the education program by this same amount.

B. KUMC -- Faculty Locum Tenens Program. Delete 2.0 unclassified faculty positions that were added by the 1993 Legislature as part of the Faculty Locum Tenens Program. KUMC implemented a program that uses the appropriated funds to make financial incentive payments to existing faculty for locum services rather than adding two new faculty positions, as proposed.

C. KSU-Veterinary Medical Center. Change the expenditure limitation on the Hospital and Diagnostic Laboratory Fund from \$1,465,712 to "no limit."

D. KSU-Veterinary Medical Center. Increase expenditures from the General Fees Fund by \$20,859 and decrease expenditures from the SGF by this same amount.

9. Centers of Excellence at KU, KSU, and WSU -- Shift SGF to EDIF

Shift funding of \$664,535 (KU -- \$228,427; KSU -- \$225,130; WSU -- \$210,978) from the State General Fund to the EDIF.

10. Higher Education Comparisons

The following information supplied by the Kansas Board of Regents indicates that in terms of state appropriations for higher education, Kansas does fairly well. As the table indicates, in terms of per capita appropriations Kansas ranks 12th in the nation. Even in the case of appropriations per student, which takes into account our relatively high utilization of higher education institutions, Kansas is 25th.

The Committee is puzzled as to why, given the level of state appropriations compared to other states, Kansas faculty appear to be significantly underpaid compared to other states. Dr. Wefald presented testimony to the Senate Subcommittee on Regents systemwide issues indicating that in 1993 KSU faculty salaries ranked last in the big-eight and 43rd among the 50 federal land grant institutions. In FY 1993, Regents faculty systemwide were paid 89.6 percent of the average paid at the peer institutions with overall funding hovering around 80 percent.

The Committee recommends that the LCC allocate funds for an independent study to determine why state appropriations are not resulting in university budgets that are competitive with peers and other institutions, particularly in the area of faculty salaries.

Kansas Ranking in National Higher Education Comparisons

	<u>Kansas</u>	<u>U.S. Average</u>	<u>Kansas National Ranking</u>
State Higher Education Appropriations Per Capita ⁽¹⁾	\$186.72	\$156.64	12th
State Higher Education Appropriations Per \$1,000 Personal Income ⁽¹⁾	\$10.21	\$8.21	19th
State Higher Education Appropriations Per Student ⁽²⁾	\$4,544.00	\$4,164.00	25th
State Populace Per Four-Year Public Institution ⁽³⁾	315,000.00	456,000.00	19th
State Populace Per Two-Year Public Institution ⁽³⁾	120,000.00	256,000.00	7th
Resident Freshmen Remaining In-State to Attend Public Higher Ed. ⁽²⁾	86%	75%	7th
Resident Freshmen Migrating Out-of-State to Attend Public Higher Ed. ⁽²⁾	4%	6%	42nd
Resident Freshmen Migrating Out-of-State to Attend Private Higher Ed. ⁽²⁾	5%	8%	39th

Notes:

1. State Higher Education Appropriations 1992-93, by Edward R. Hines, Illinois State University, Normal Illinois.
2. State Profiles: Financing Public Higher Education 1978 to 1992, by Research Associates of Washington, WA, DC.
3. Compiled from: State Higher Education Profiles, National Center for Education Statistics; U.S. Department of Education, Washington, D.C.; U.S. Statistical Abstract; U.S. Bureau of Census, Washington, D.C.

Source: Kansas Board of Regents.

<u>Expenditure</u>	<u>Senate Adj. FY 95</u>	<u>Senate Rec. FY 95</u>	<u>House Systemwide Subcommittee Adj. FY 95</u>
Operating Expenditures:			
State General Fund	\$ (1,447,780)	\$ 431,126,384	\$ (5,203,154)
General Fees Fund	3,357,219	170,393,258	(5,859,925)
Hospital Revenue Fund	--	122,714,626	--
Federal Land Grant Funds	--	7,531,508	--
Other Funds	271,035	1,944,035	--
Subtotal General Use	\$ 2,180,474	\$ 733,709,811	\$ (11,063,079)
Restricted Use Funds	139,440	350,115,665	--
TOTAL -- Operating Expenditures	\$ 2,319,914	\$ 1,083,825,476	\$ (11,063,079)

FTE Positions:

Classified	(7.4)	8,047.1	*
Unclassified	(13.5)	9,785.2	*
TOTAL	(20.9)	18,832.3	*

* Remove the FTE limitation.

House Systemwide Subcommittee Recommendations

The House Subcommittee on Systemwide Issues recommends the following general plan for funding the Regents institutions and financial aid programs in FY 1995:

1. **State General Fund.** Create a State General Fund line item of \$12,405,531 in the Board of Regents office, which is a 3 percent increase over the current FY 1994 recommendation of \$413,517,699 for the Regents institutions. Authorize the Board of Regents to transfer from this SGF account to the individual institutions and to financial aid programs administered by the Board of Regents. Delete the new State General Fund dollars recommended by the Senate totaling \$17.6 million. (Under the Senate recommendation the new SGF is appropriated to each Regents institution based on the Senate recommendation for expenditures at each institution (*i.e.*, classified, unclassified, OOE, enrollment adjustment, servicing new building, program enhancements etc.). The House Subcommittee recommendation would leave a base appropriation totaling the FY 1994 recommendation for each institution. The Kansas Board of Regents would determine the expenditure priorities and the allocation of the new State General Fund appropriation among the Regents institutions and Board-administered financial aid programs.

Tuition. Given that the House Subcommittee recommendation does not meet the SGF requirements of the "Partnership for Excellence" as put forward by the Board of Regents, the House Subcommittee assumes that the Board of Regents would approve the lower undergraduate resident tuition increases of 5 percent at KU, KSU, WSU and 3 percent at ESU, FHSU, and PSU. According to the Board, the 13 percent rate increase, approved by the Board, for nonresident, undergraduate students would not be effected by the Legislature's approval of funding for the "Partnership for Excellence." Based on this assumption, the House Subcommittee recommends that the General Fees Fund (tuition) at each institution be adjusted to reflect the lower undergraduate tuition rate. The difference between the higher and lower resident, undergraduate tuition rate increase systemwide is \$2.5 million.

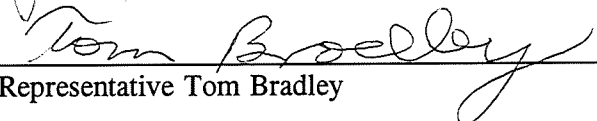
General Fees Fund Expenditures. The House Subcommittee recommends that the Legislature retain the current policy regarding General Fees Fund (tuition) estimates. That is, if tuition collections fall below estimates, the Legislature should appropriate funding from the State General Fund to avoid shortfalls in the approved university operating budget. Conversely, if tuition revenues are in excess of the amount necessary to fund the approved budget, the excess tuition revenue should be carried forward to fund the next years' operating budget.

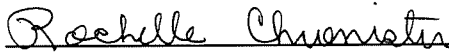
2. **GTA Salaries and Tuition Payment.** The House Subcommittee rejects the Senate recommendation to create a separate State General Fund line-item at each institution for the amount appropriated for salaries and wages for Graduate Teaching Assistants (GTAs). The Subcommittee recommends that salaries and wages for GTAs be included in the operating expenditures line item account at each institution. Also, the House Subcommittee rejects the Senate recommendation to increase expenditures from the General Fees Fund at each institution to provide for payment of tuition for GTAs. The House Subcommittee recommendation would retain the current practice

of waiving tuition for GTAs which results in a reduction in revenue rather than an expenditure as proposed by the Senate.

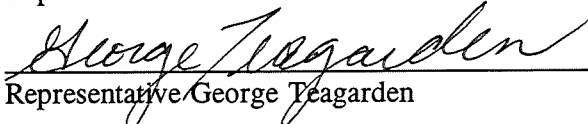
3. **Classified and Unclassified FTE Limitation.** The House Subcommittee recommends that the FTE limitation for the Regents institutions and the Board of Regents office be eliminated from S.B. 590.
4. The House Subcommittee lends its support to the Senate request that the LCC allocate funds for an independent study to determine why state appropriations (see page 8-9 of Senate report) are not resulting in university budgets that are competitive with peers and other institutions, particularly in the area of faculty salaries.
5. The House Subcommittee recommends that the LCC appoint an interim committee to study and make recommendations for an action plan to the 1995 Legislature to address governance of postsecondary education.


Representative Jo Ann Pottorff, Subcommittee Chair


Representative Tom Bradley


Representative Rochelle Chronister


Representative Melvin Minor


Representative George Teagarden

SUMMARY OF REGENTS BUDGET ITEMS SUBMITTED BY REGENTS IN PRIORITY ORDER
(General Use -- Millions)

	Agency Req.	Notes	Gov. Rec.	Notes	Senate Rec.	Notes	House Rec.	Notes
A. Expenditures								
1. Basic Budget Increases								
Classified Salaries	\$ 2.9	step+longevity	\$ 2.9	step+longevity	\$ 2.9	step+longevity	\$	
Unclassified Salaries	12.0	3%	9.9	2.5%	9.9	2.5%		
Student Salaries	0.3	3%	0.3	3%	0.3	3%		
OOE (excl. utilities)	3.2	3%	3.2	3%	3.2	3%		
Fringe Benefit and Other Net Adjust.	<u>0.5</u>		<u>(1.3)</u>		<u>(1.3)</u>			
Subtotal	18.9		15.0		15.0			
Enrollment Adjustment	1.4	36.0 FTE	1.4	36.0 FTE	1.2	21.0 FTE		
2. Salary & Other Enhancements								
Peer Related Faculty Salary Incr.	9.3		11.1		9.3			
Recruitment of Minority GTAs	1.3		0.0		0.0			
Regents Supp. Grant Program	2.3		2.3		0.1			
Incr. of 0.5% Retirement	1.4		0.0		0.0			
3. Servicing New Buildings	1.9	42.0 FTE	2.1	42.0 FTE	1.9	34.5 FTE		
4. Systemwide Enhancement for Libraries	3.5		0.0		0.8			
5. Health Care Education	4.3		1.8		1.6			
6. Specific Univ. Improvements	1.5		0.6		0.7			
Other Items Added by Senate								
Change Accounting for GTAs Tuition	--		--		3.3			
KSU-ESARP-Ag Land use Value	--		--		.1			
KSU-Salina -- Computers	<u>--</u>		<u>--</u>		<u>.1</u>			
TOTAL Expenditure Increases	<u>\$ 45.8</u>		<u>\$ 34.3**</u>		<u>\$ 34.1</u>		<u>\$</u>	
B. Financing								
SGF	\$ 30.7	7.4%	\$ 21.4		\$ 17.7	4.3%		
Tuition	15.0		14.7		14.7			
Tuition -- GTA Waiver	--		--		3.3			
Other*	<u>0.1</u>		<u>(1.9)</u>		<u>(1.6)</u>			
TOTAL Funding Increases	<u>\$ 45.8</u>		<u>\$ 34.2**</u>		<u>\$ 34.1</u>			

* Net changes in Hospital Revenue Fund, EDIF-SGF funding shift, federal land grant funds, Medical Student Loan Repayment Fund-operating expenditures, etc.

** Totals are not the same due to rounding.

Kansas Legislative Research Department
March 21, 1994